

Actions to Restore State Power – Revenue and Taxation

Submitted by the Chairs of the Senate and House Revenue and Taxation Standing Committees
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Issue	Background	Recommended Action for Congress
State Taxation of Remote Sales	In 1992, the U.S. Supreme Court in <i>Quill Corp. v. North Dakota</i> essentially held that physical presence within a state was required for collecting and remitting a state's sales and use tax. Therefore, many remote/online businesses are not required to collect and remit sales and use tax for sales of goods and services to Utahans if the business does not have physical presence in Utah.	Pass legislation (Remote Transactions Parity Act) to authorize states to require remote sellers to collect and remit sales and use taxes with respect to remote sales.
Federal Taxation of Municipal Bond Interest	The federal government currently exempts municipal bond interest from federal income taxes. However, congress has considered repealing the exemption, which would (1) increase the federal government's influence on state and local activities and (2) increase borrowing costs for cities, counties, and states.	Maintain the tax-exempt status of municipal bonds.
Access to State Income Tax Data	Because Utah's income tax system is tied to the federal income tax system and because the Tax Commission receives federal income tax data from the IRS that is used for auditing purposes, the Tax Commission is subject to IRC §6103. IRC §6103 governs the sharing of income tax data, including state data. Because the IRS has imposed an overly restrictive interpretation of IRC §6103, the State Tax Commission's freedom to share state tax data with the Legislature and other state agencies is limited. In some cases, this constraint impedes the Legislature's ability to make informed tax policy decisions.	Allow state legislatures to govern the sharing of state income tax return data.
Unfunded Mandates and Federal Preemptions	The IRS has mandated unfunded reporting, security, and compliance obligations on all state taxing agencies, including the Utah State Tax Commission. These mandates exploit state resources and employees for federal purposes and detract from the Tax Commission's ability to collect revenue for the state.	Provide funding for mandates or give states the option to comply.